

# **DOCUMENT 1**

## **NOTICE OF PROPOSED RULEMAKING**

## **TITLE 25. CALIFORNIA HOUSING FINANCE AGENCY**

[Notice published July 25, 2003]

### **NOTICE OF PROPOSED RULEMAKING**

The California Housing Finance Agency ("CalHFA") proposes to amend Sections 19200 and 19205 of Title 25 of the California Code of Regulations (CCR) after considering all comments, objections, and recommendations regarding the proposed action.

### **PUBLIC HEARING**

The CalHFA has not scheduled a public hearing on this proposed action. However, the CalHFA will hold a hearing if it receives a written request for a public hearing from any interested person, or his or her authorized representative, no later than 15 days before the close of the written comment period.

### **WRITTEN COMMENT PERIOD**

Any interested person, or his or her authorized representative, may submit written comments relevant to the proposed regulatory action to the CalHFA. The written comment period closes at 5:00 p.m. on September 8, 2003. The CalHFA will consider only comments received at the CalHFA offices by that time. Submit comments to:

Misty Miller, Legal Analyst  
Regulations Coordinator  
Office of General Counsel  
California Housing Finance Agency  
1121 L Street, Suite 300  
Sacramento, CA 95814  
Direct Dial: (916) 445-0178  
E-Mail: <MMILLER@CALHFA.CA.GOV>

### **AUTHORITY AND REFERENCE**

California Health and Safety Code Section 51050(e) authorizes the CalHFA to adopt, and from time to time amend and repeal, by action of the CalHFA Board of Directors, these regulations, which would implement, interpret, make specific, or reference Sections 51652 and 51654 of the California Health and Safety Code.

The CalHFA Board of Directors has approved the proposed amendments, and has authorized the CalHFA to give public notice, conduct any required public hearing, and take such other action as may be necessary or proper for the adoption by the CalHFA of such amended regulations, as more specifically stated in CalHFA Board Resolution 03-10, adopted at a duly constituted meeting of the CalHFA Board of Directors held on January 9, 2003, at Millbrae, California.

## **INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW**

The CalHFA proposes to amend Sections 19200 and 19205 in Title 25 of the California Code of Regulations (CCR). These sections concern loans eligible for mortgage insurance.

The CalHFA is a mortgage lender. It was established as California's affordable housing bank to make below market-rate loans through the sale of tax-exempt bonds. Its mission is to finance below market rate loans to create safe, decent and affordable rental housing and to assist first-time homebuyers in achieving the dream of homeownership.

The CalHFA Mortgage Insurance Services division provides mortgage insurance to prospective homeowners/borrowers. Mortgage insurance provides mortgage lenders with an added layer of credit protection in the event that the property owner/borrower defaults on their mortgage loan.

Restrictions and limitations in existing regulations make fewer mortgage loans eligible for CalHFA mortgage insurance. The proposed amendments would update existing regulations to enable the CalHFA to insure more mortgage loans by removing restrictions and limitations.

California Health and Safety Code Section 51654 permits the CalHFA to insure single family and multifamily loans. Section 19200 in Title 25 of the California Code of Regulations (CCR) implements this statute by further defining the type of loans that the CalHFA will insure. The regulation specifies that the CalHFA may insure its own single family and multifamily loans, and certain non-CalHFA multifamily loans. However, the regulation is outdated in that it does not specify that non-CalHFA single family loans may be insured. The CalHFA currently provides insurance for both CalHFA and non-CalHFA loans. California Health and Safety Code Section 51050(e) authorizes the CalHFA to implement, interpret and make specific these requirements.

California Health and Safety Code Section 51652 permits the CalHFA to establish loan-to-value limitations for single family and multifamily loans. Section 19205 in Title 25 of the California Code of Regulations (CCR) implements this statute by setting specific loan-to-value limits for loans that the CalHFA will insure. The regulation limits the loan-to-value ratio on CalHFA insured single family loans to 97% of value. The loan-to-value ratio is determined by adding all loans, including subordinate financing. The proposed amendment would increase the maximum loan-to-value ratio on CalHFA insured single family loans to 107% of value. Private mortgage insurers currently insure up to 103% loan-to-value. California Health and Safety Code Section 51050(e) authorizes the CalHFA to implement, interpret and make specific these requirements.

Section 19200, as amended, will increase the number of loans eligible for CalHFA mortgage insurance. The CalHFA is proposing that loans made by CalHFA and loans made by third-party lenders (non-CalHFA loans) would be eligible for CalHFA mortgage insurance.

Section 19205, as amended, will increase the maximum loan-to-value ratio on CalHFA insured single family loans. The CalHFA is proposing that CalHFA mortgage insurance for single family residences may have a maximum loan-to-value ratio of 107% of value.

## **DISCLOSURES REGARDING THE PROPOSED ACTION**

*The CalHFA has made the following initial determinations:*

Mandate on local agencies and school districts: None.

Cost or savings to any state agency: None.

Cost to any local agency or school district which must be reimbursed in accordance with California Government Code Sections 17500 through 17630: None.

Other nondiscretionary cost or savings imposed on local agencies: None.

Cost or savings in federal funding to the state: None.

Significant, statewide adverse economic impact directly affecting business including the ability of California businesses to compete with businesses in other states: None.

Cost impacts on a representative private person or businesses: The CalHFA is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

Adoption of these regulations will not:

- (1) create or eliminate jobs within California;
- (2) create new businesses or eliminate existing businesses within California; or
- (3) affect the expansion of businesses currently doing business within California.

Significant effect on housing costs: Makes more affordable housing available.

### *Small Business Determination*

The CalHFA has determined that the proposed amendments to regulations do not affect small business. These regulations apply only to the CalHFA for purposes of insuring mortgage loans.

## **CONSIDERATION OF ALTERNATIVES**

In accordance with California Government Code Section 11346.5(a)(13), the CalHFA must determine that no reasonable alternative it considered or that has otherwise been identified and brought to the attention of the CalHFA would be more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed action.

The CalHFA invites interested persons to present statements or arguments with respect to alternatives to the proposed regulations at the scheduled hearing, if any, or during the written comment period.

## **CONTACT PERSONS**

Inquiries concerning the proposed administrative action may be directed to:

Misty Miller, Legal Analyst  
Regulations Coordinator  
Office of General Counsel  
California Housing Finance Agency  
1121 L Street, Suite 300  
Sacramento, CA 95814  
Phone: (916) 445-0178  
E-Mail: <MMILLER@CALHFA.CA.GOV>

The backup contact person for these inquiries is:

Gail Christopherson-Schurr, Senior Legal Typist  
Office of General Counsel  
California Housing Finance Agency  
1121 L Street, Suite 300  
Sacramento, CA 95814  
Phone: (916) 322-1378  
E-Mail: <GCHRISTOPHERSON-SCHURR@CALHFA.CA.GOV>

Questions on the substance of the proposed regulations may be directed to:

Thomas C. Hughes, General Counsel  
California Housing Finance Agency  
1121 L Street, Suite 300  
Sacramento, CA 95814  
Phone: (916) 322-1408  
E-Mail: <THUGHES@CALHFA.CA.GOV>

Please direct requests for copies of the proposed text of the regulations, the initial statement of reasons, the modified text of the regulations, if any, or other information upon which the rulemaking is based to Misty Miller at the address or phone number listed above.

## **AVAILABILITY OF STATEMENT OF REASONS AND TEXT OF PROPOSED REGULATIONS**

The CalHFA will have the entire rulemaking file available for inspection and copying throughout the rulemaking process at its office at the above address. As of the date this notice is published in the California Notice Register, the rulemaking file consists of: this notice; proposed text of the amended regulations in underline and strikeout; Initial Statement of Reasons; Staff Report dated December 20, 2002 (Exhibit 1 to Initial Statement of Reasons); Resolution 03-10 approved on January 9, 2003 (Exhibit 2 to Initial Statement of Reasons); testimony presented at the public meeting on January 9, 2003 (Exhibit 3 to Initial Statement of Reasons); Fiscal Impact Statement

(STD 399); Notice Publication (STD 400); 2003 Rulemaking Calendar; request for Agency Secretary signature; and Statement of Mailing Notice. Copies may be obtained by contacting Misty Miller at the address or phone number listed above.

#### **AVAILABILITY OF CHANGED OR MODIFIED TEXT**

After holding the hearing, if any, and considering all timely and relevant comments received, the CalHFA may adopt the proposed amendments to the regulations substantially as described in this notice. If the CalHFA makes modifications which are sufficiently related to the original proposed text, it will make the modified text (with the changes clearly indicated) available to the public for at least 15 days before the CalHFA adopts the amendments to the regulations as revised. Please send requests for copies of any modified amendments to the regulations to the attention of Misty Miller at the address indicated above. The CalHFA will accept written comments on the modified amendments to the regulations for 15 days after the date on which they are made available.

#### **AVAILABILITY OF THE FINAL STATEMENT OF REASONS**

Upon its completion, copies of the Final Statement of Reasons may be obtained by contacting Misty Miller at the address or phone number listed above.

#### **AVAILABILITY OF DOCUMENTS ON THE INTERNET**

Copies of the Notice of Proposed Rulemaking, Initial Statement of Reasons, Staff Report dated December 20, 2002 (Exhibit 1 to Initial Statement of Reasons), Resolution 03-10 approved on January 9, 2003 (Exhibit 2 to Initial Statement of Reasons), testimony presented at the public meeting on January 9, 2003 (Exhibit 3 to Initial Statement of Reasons), Fiscal Impact Statement (STD 399), Notice Publication (STD 400), 2003 Rulemaking Calendar, request for Agency Secretary signature, Statement of Mailing Notice, and proposed text of the amended regulations in underline and strikeout can be accessed through our Web site on the "About CalHFA" page at <http://www.calhfa.ca.gov/info>. Please click on the link for Rulemaking Documents under "Other Information" to view the documents available on the Internet.

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